Government Purchasing Agency

Annual Report 2011-2012

Newfoundland Labrador

Table of Contents

Page	Section
I	Message from the Minister
1	**Government Entity Overview**
1	Vision
2	Mission
2	Mandate
2	Lines of Business
4	**Shared Commitments**
4	Public Sector
4	Industry
4	Federal/Provincial/Territorial Governments
5	**Highlights and Accomplishments**
5	Purchasing
5	Audit, Information and Training
6	**Report On Performance 2011-12**
8	**Opportunities and Challenges**
9	**Financial Statements**

Message from the Minister

It is my pleasure to present the Government Purchasing Agency's (Agency) 2011-12 Annual Report. As Minister responsible I am accountable for the results presented. The report is performance based and reflects the success of the Agency in working towards the goals and 2011-12 objectives outlined in its 2011-14 Business Plan.

The mandate of the Agency is to provide leadership and support to the public sector in the areas of procurement and supplier development. This authority is provided through both the *Government Purchasing Agency Act* and the *Public Tender Act*. During the year the Agency has worked diligently in meeting its responsibilities. Along with fulfilling the procurement needs of departments, staff have continued to deliver training and information to both the public sector and supplier community.

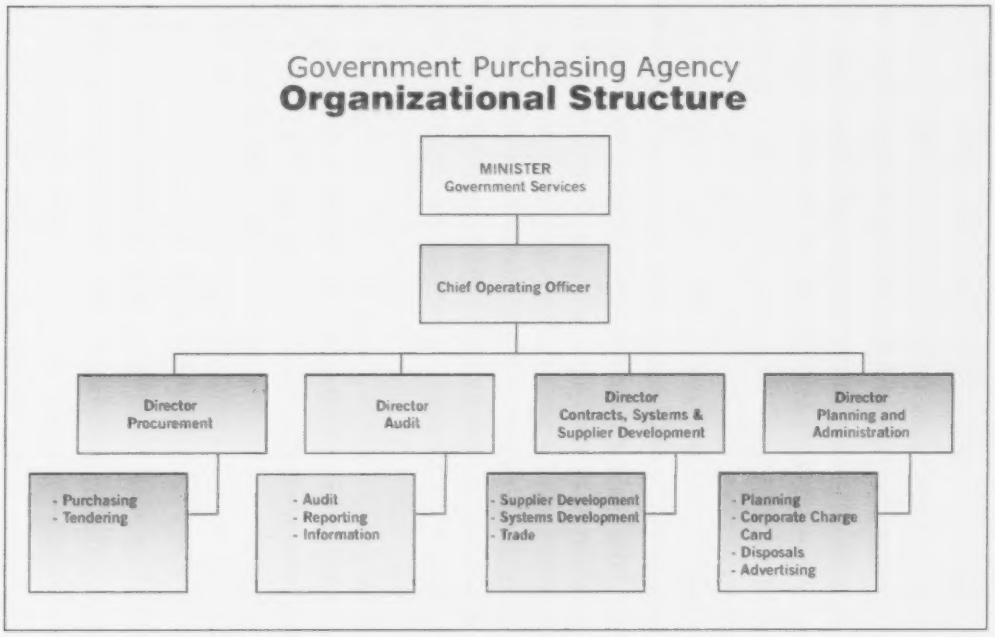
Great strides were also made this year towards achieving Government's commitment to reform current procurement and capital works tendering practices. Extensive consultations were held with departments, government-funded bodies, other provincial and federal jurisdictions and the supplier community. Drafting of new procurement legislation is now underway which represents an exciting time for the Agency and the public sector as a whole.

I would like to take this opportunity to acknowledge those who contributed to this report and the dedication of the staff of the Government Purchasing Agency.

Paul Davis
Minister

Government Entity Overview

The Government Purchasing Agency (the Agency) is an independent branch of the public service under the management and control of a Chief Operating Officer. The Agency provides procurement, information and training services to government departments and government-funded bodies. While its head office is located in the Petten Building, 30 Strawberry Marsh Road, St. John's, staff have been located in various departments to optimize service delivery. There currently exist 46 staff positions, with a female to male ratio of 2.4:1.



Primary clients of the Agency include departmental and government-funded body employees and members of the local supplier community. Its website www.gpa.gov.nl.ca, allows the Agency to provide up-to-date procurement information to stakeholders. This site provides access to information regarding procurement policies, practices and procedures for the Newfoundland and Labrador public sector, public bidding opportunities within the province and the details of recently awarded tenders.

Authority for the Agency's operation is provided through the *Government Purchasing Agency Act* and the *Public Tender Act*;

- *Government Purchasing Agency Act* - outlines the mandate of the Agency and provides for its operation.
- *The Public Tender Act* - primary legislation that governs procurement within the public sector.

Vision

The vision of the Agency is of an informed public sector and supplier community participating in a transparent and equal opportunity procurement environment. Its programs and services are guided by this vision.

Mission
The mission of the Agency is stated as follows:

> *By March 31, 2017 the Government Purchasing Agency will have enhanced its business processes.*

It aims to achieve this through:

- increased efficiencies in the procurement process;
- increased access to public procurement training opportunities.

Mandate
The Agency's mandate is derived directly from the *Government Purchasing Agency Act* and includes the following:

- Acquisition of goods and services required by departments of the public service. The Chief Operating Officer may delegate this authority, in full or in part, to departments where it is deemed efficient to do so.
  - The Agency may acquire goods and services required by a government-funded body when efficient to do so. This action requires direction from the Lieutenant-Governor in Council.

- Responsibility for a joint purchasing advisory board, currently the Central Purchasing Authority (CPA). The CPA is responsible for the coordination of a number of high volume contracts for use by departments and government-funded bodies.

- Reporting exceptions to the *Public Tender Act*, awards to other than the preferred bidder and information respecting a tender invitation and award to the House of Assembly.
  - Where exceptions to the *Public Tender Act* are reported, the Chief Operating Officer has the authority to express an opinion with respect to the sufficiency of the grounds for using the exception.

- Auditing departments and government-funded bodies to ensure compliance with procurement legislation.

- Provision of training to members of the public service to ensure awareness of applicable legislation and purchasing policies and procedures.

Lines of Business
The Government Purchasing Agency has the following lines of business:

Procurement
The procurement cycle includes the advertising, tendering, acquisition of goods and services and disposal of assets on behalf of government entities. It also includes the provision of corporate charge cards to government employees for travel related expenditures.

The procurement process is dictated by the *Public Tender Act*. In accordance with this legislation, goods and services in excess of $10,000 are publicly tendered unless there exist special circumstances. Acquisitions less than or equal to $10,000 require three quotes or a fair and reasonable price.

Audit, Information and Training

The Agency's auditing function promotes accountability and proper application of procurement legislation throughout the public sector. Departmental and government-funded body audits continue throughout the year to ensure legislative compliance. Agency staff also provide information and training to public entities to promote and support adherence to legislation, trade agreements and purchasing policies and procedures.

The Atlantic Procurement Agreement and the Agreement on Internal Trade allow local businesses to compete for government tenders throughout the country. An important component in being competitive is for suppliers to remain up-to-date with respect to the public procurement process. Through partnership with the Department of Innovation, Business and Rural Development the Agency provides forums for the public to gather information on the rules governing public procurement.

Tender and award information is also collected from government entities. This data allows the Agency to monitor procurement patterns across Newfoundland and Labrador and the success of local companies when competing for government business.

Shared Commitments

The Agency continues to develop and maintain relationships with government departments, the industry sector and federal, provincial and territorial governments.

Public Sector
As part of its strategic direction "Procurement – Enhanced service delivery through training and improved business processes" the Agency committed to modernizing procurement legislation and increasing access to public procurement training opportunities. In support of this, departmental and government-funded body representatives have been engaged in a review of existing legislation.

The Agency also supports the Department of Innovation, Business and Rural Development with the procurement component of on-going trade negotiations. Information respecting the Newfoundland and Labrador's current legislative and trade commitments is provided to the negotiation team to support the Provinces' position. This information is vital in ensuring the province is not disadvantaged with respect to its procurement practices.

In addition, Agency personnel continue to support the public service in their development of tender specifications, bid evaluation, the tendering and award process and the interpretation and application of relevant legislation.

Industry
The Agency is continuing in its partnership with the Department of Innovation Business and Rural Development to improve supplier access to public procurement opportunities. The Department of Innovation Business and Rural Development coordinates Supplier Information Sessions and trade shows throughout the province. It has partnered with the Agency to promote awareness of government procurement practices and potential bidding opportunities. This partnership directly supports the "Supplier Development" strategic direction as detailed in the Agency's 2011-14 Business Plan.

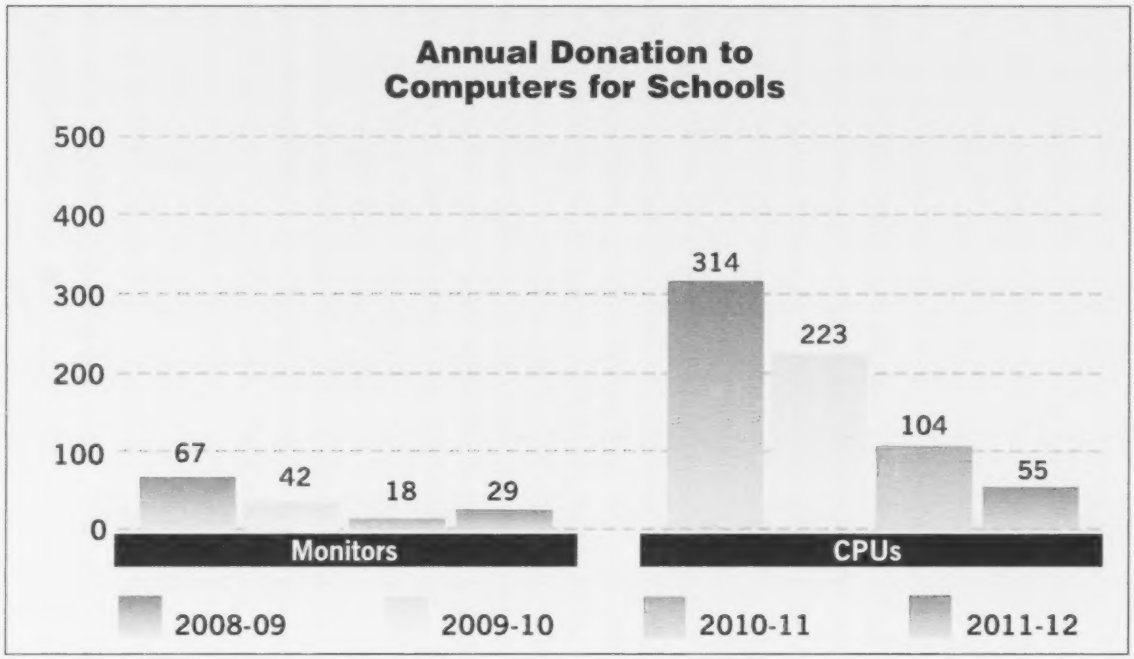
Federal/Provincial/Territorial Governments
The Atlantic Procurement Agreement and Agreement on Internal Trade are intergovernmental trade agreements which have established a framework ensuring equal access to procurement for all suppliers. The agreements have contributed to the development of a stronger economy through the reduction in trade barriers and purchasing costs. Through the administration of the procurement component of these agreements the Agency is supporting the minister's commitment to supplier development and ensuring local suppliers have an equal opportunity when bidding on government tender opportunities throughout Canada.

Participation in the Computers for Schools Program remains a priority for the Agency. This is a national program that operates in cooperation with all provinces, territories and the volunteer and private sectors. The program collects, repairs and refurbishes donated surplus computers from government and private sector sources and distributes them to schools, public libraries and not-for-profit learning organizations throughout Canada (http://cfs-ope.ic.gc.ca).

Highlights and Accomplishments

Purchasing

- In 2011-12, acquisitions made through the Oracle purchasing module totaled $1.473 billion. This compares to $1.846 billion in 2010-11 and $1.090 billion in 2009-10.
- Total number of procurement transactions completed by Agency staff exceeded 25,500.
- In 2011-12, there were 11 public auctions and six disposal tenders as compared to the previous year activity of 16 auctions and six disposal tenders.
- In 2011-12, the Central Purchasing Authority coordinated 31 contracts to be used by both government departments and government funded bodies.
- In 2011-12, there were 2,639 corporate travel cards issued and administered as compared to 2,612 in 2010-11.
- Donations of monitors and CPU's made to the Computers for Schools initiative:



Audit, Information and Training

The highlights listed below support transparency and accountability in the procurement process.

- In 2011-12, three audits of government funded bodies and departments were performed.
- 1,477 exceptions were reported to the House of Assembly as compared to 1,733 in 2010-11.
- Continued delivery of training in the procurement component of Government's financial system and the legislative requirements of the Public Tender Act.

Report On Performance 2011-12

Issue 1: Enhanced Service Delivery

During the 2010-11 fiscal year government instituted a streamlining of several of its operations. Included in this was the processing of low-dollar purchases, less than $2,500. While previously transacted by individual departments, responsibility was returned to the Agency. Both the 2010-11 and 2011-12 fiscal years were periods of transition with efforts being made to optimize staffing levels and locations.

Goal: By March 31, 2014, the Government Purchasing Agency will have begun implementing recommendations to enhance its business processes.

Objective: By March 31, 2012, the Government Purchasing Agency will have detailed transaction patterns associated with the various procurement thresholds.

Measure: Transaction patterns detailed for the various procurement thresholds.

Indicator: Report completed detailing procurement patterns.

Throughout the 2010-11 and 2011-12 fiscal years the Agency's procurement transactions were monitored for volumes and patterns. The result is a report illustrating procurement trends over a two year period. The analysis illustrates a consistency in volume and type throughout the timeframe with the number of transactions remaining relatively stable throughout the year. This information will assist the Agency in reviewing ways of streamlining its business processes. It will also be compared to information available from other jurisdictions to identify best practices.

Objective: By March 31, 2013, the Government Purchasing Agency will have reviewed procurement models utilized by other public bodies to identify opportunities for enhancing its processes.

Measure: Various procurement models analyzed.

Indicator: Analysis completed detailing alternative procurement models.

Issue 2: Access to Training and Development Opportunities

With the on-going trade negotiations between provinces and countries along with continuous legal challenges against procuring entities, the rules surrounding procurement are becoming increasingly complex. For these reasons the Agency has committed to creating a training and development strategy.

Goal: By March 31, 2014, the Government Purchasing Agency will have created a training and development strategy.

Objective: By March 31, 2012, the Government Purchasing Agency will have identified training requirements.

Measure: Training and development requirements identified.

Indicators: Report completed outlining training requirements.

During fiscal year 2011-12, Agency representatives held consultations with departments, government-funded bodies and the supplier community to discuss existing procurement practices and their views on its effectiveness. Consultations with other provincial and federal jurisdictions were also held to identify best practices and training and development programs. These discussions highlighted emerging trends in procurement and the benefits it can afford the province. However, these trends also represent a divergence from existing practices used by the provinces' public sector. As such, a revised training and development program is required to ensure proper implementation and use of these techniques. An analysis was completed outlining these requirements, information on alternative procurement practices and how they differ from our current methods. Using this information the Agency will proceed to the next step in its Business Plan.

Objective: By March 31, 2013, the Government Purchasing Agency will have completed a gap analysis comparing training needs to available programs.

Measure: Analysis showing training requirements compared to available programs.

Indicator: An analysis is completed comparing training requirements to existing programs.

Opportunities and Challenges

In its 2011 Blue Book, Government stated the Agency will acquire a procurement system which will provide supplier, product and bid opportunity information as an instrument to grow supplier capacity within the province. The Agency continues to work with the Comptroller General's Office and Office of the Chief Information Officer to upgrade the existing Oracle purchasing module. This is a lengthy process requiring extensive analysis, evaluation and testing coordinated across several departments.

Government also committed to reforming the procurement and capital works tendering processes to make them more amenable to local suppliers. This also requires a coordinated effort across departments and the broader public sector. Current procurement practices are heavily weighted in legislation and trade agreements. These processes are also ingrained in both the public sector and supplier community. Changing the manner in which we do business will require both a legislative and cultural shift to gain acceptance by impacted groups. Each step in the change process will require a significant commitment of time and resources by Agency personnel. Agency staff are committed to working with all groups to ensure an understanding and acceptance of any proposed change.

The roll-out of the Tender Award and Reporting System (TARS) to all government-funded bodies continues. This system allows for the collection of purchase and award information from public entities. Information provided by the TARS system has the potential to identify product demand and availability across the province. The challenge exists in expanding the current system to capture the required data in a manner supporting the Supplier Development Initiative.

Financial Statements

Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year Ended March 31, 2012. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process, however, the Government Purchasing Agency is not required to provide a separate audited financial statement.

Government Purchasing Agency

Statement of Expenditures and Related Revenues
for Fiscal Year Ending
31 March 2012

		ESTIMATES	
	Actual $	Amended $	Original $
Salaries and Benefits	$2,197,473	$2,391,600	$2,391,600
Transportation and Communication	90,234	91,300	80,000
Supplies	22,813	23,600	22,900
Professional Services	18,221	25,000	25,000
Purchased Services	97,670	161,900	183,900
Property, Furnishings & Equipment	8,237	11,700	1,700
Less Revenues			
Total:	(337,401)	(258,000)	(258,000)
Government Purchasing Agency	$2,097,247	$2,447,100	$2,447,100

Newfoundland
Labrador